



CHANGES IN THE PROGRAMME BUDGET FOR THE FINANCIAL PERIOD 1988-1989

PROGRAMME BUDGET REDUCTIONS PROPOSED BY THE DIRECTOR-GENERAL  
and  
USE OF ADDITIONAL CASUAL INCOME TO FINANCE THE APPROVED  
1988-1989 PROGRAMME BUDGET

Report by the Director-General

In this document the Director-General explains that the continuing shortfall in the collection of assessed contributions does not permit him to propose either an additional appropriation from casual income available as at 31 December 1986 to reduce contributions of Members for the programme budget of 1988-1989 or a reduction in the 1988-1989 budget level.

1. The Executive Board will recall that when the Director-General presented the proposed programme budget for 1988-1989 to the seventy-ninth session of the Executive Board (January 1987), he felt unable, at a time when the Organization found itself enmeshed in an unusually serious financial crisis not of its own making, to recommend that any casual income be appropriated to help to finance the proposed programme budget. He therefore proposed that the entire amount of casual income available as of 31 December 1986, then estimated at US\$ 47 million, should be retained in the casual income account to cover that part of a possible shortfall in assessed contributions that might occur in the financial periods 1986-1987 and 1988-1989 that was not already met by the programme implementation reductions of US\$ 35 million and US\$ 50 million made or planned for, respectively, 1986-1987 and 1988-1989.<sup>1</sup>
2. Following discussions at the seventy-ninth session of the Executive Board on the amount of casual income available and its possible use, the Director-General, in an attempt to reconcile the various points of view expressed by members of the Board, finally proposed that casual income in the amount of US\$ 25 million be appropriated to reduce the contributions of Member States in the first year of the biennium 1988-1989. In agreeing on these proposals, the Board realized, and reported to the Fortieth World Health Assembly, that a further review by the Board of the financial situation would be necessary in January 1988. It was understood that, if sufficient arrears of contributions were received by the end of 1987, the Director-General would recommend that an additional amount, representing the difference between casual income actually available at the end of 1986 and the amount of US\$ 25 million applied to reduce contributions in the first year of the biennium, be applied to reduce contributions in the second year of the biennium. On the other hand, should the critical financial situation persist, the Board would have to decide, in January 1988, on the steps which would need to be taken to meet the shortfall in financial resources.<sup>2</sup>
3. During the discussions in Committee A at the Fortieth World Health Assembly on the proposed appropriation resolution for the financial period 1988-1989, the Director-General stated that, in view of the concerns of the developing countries expressed at the Health Assembly, and in order to preserve during the forthcoming budgetary implementation period the spirit of consensus and cooperation that had been demonstrated by the overwhelming majority of the entire membership throughout the budget consideration and approval process, he had

<sup>1</sup> Document PB/88-89, pp. xxxix-xl.

<sup>2</sup> Document EB79/1987/REC/1, p. 218, paras 88-89.

decided to take two further initiatives which, he believed, would go a long way towards meeting the expressed concerns and lightening the financial burdens of all Members.<sup>1</sup>

4. The first initiative which the Director-General announced to the Health Assembly was to begin a process throughout the Secretariat to determine where and how the budget for 1988-1989 could be reduced by an amount of the order of US\$ 25 million with the least possible harm to Member States and their health promotion and protection activities. He had taken that decision on the firm assumption that the largest contributor would, by the end of 1987, have paid its outstanding contributions for 1986-1987. If, contrary to his expectations, that should not take place, it would not, in his view, be possible to reduce the budget.<sup>1</sup>

5. The second initiative which the Director-General had decided to take was to propose for 1990-1991 a budget reduction in real terms of US\$ 25 million as compared with the budget for 1988-1989. He indicated that he would submit this proposal to the Programme Committee of the Executive Board for its review, pursuant to resolution EB79.R9, irrespective of whether or not the proposed decrease in the same amount could be made in the 1988-1989 budget.<sup>2</sup>

6. As at 31 October 1987 the status of collection of assessed contributions to finance the effective working budget for 1986-1987 was far from satisfactory. Out of a total amount due of US\$ 484 861 000, only US\$ 342 872 210, or 70.72%, had been collected, and only 78 Members had paid their contributions in full. The largest contributor had made payments of only US\$ 42 438 470, or 33.79% of its total assessment for the biennium of US\$ 125 576 525, thus still owing US\$ 83 138 055 for 1986-1987. Most of these payments by the largest contributor were made as late as September and October 1987. Apart from a recent notification that an additional US\$ 5 million would be paid to WHO as soon as possible, there have been no indications as to the amounts and dates of any further payments by the largest contributor in respect of 1986-1987 and 1988-1989. The letter received by the Director-General, which is reproduced in the Annex, summarizes the uncertainties prevailing at this time.

7. In view of the circumstances described above, there is little doubt that at the end of 1987 the Organization will still be faced with a very large shortfall in the collection of assessed contributions for 1986-1987. In closing the accounts for the financial period 1986-1987 the Organization will have to, notwithstanding the programme implementation reductions of the order of US\$ 35 million effected during this biennium, not only use the full amount of the Working Capital Fund but also borrow the balance of casual income available at the end of 1986 in order to cover its obligations incurred. Much to his regret, therefore, the Director-General is not in a position at this time to propose an additional appropriation from casual income available as at 31 December 1986 to reduce contributions of Members for the programme budget for 1988-1989.

8. Moreover, a continuing shortfall in the collection of assessed contributions, particularly from the largest contributor, does not permit him to propose a reduction of US\$ 25 million in the 1988-1989 budget level. A reduction in the budget level would not necessarily improve the financial situation, as under the present circumstances it is more than likely that any partial payments envisaged by the largest contributor for the 1988-1989 budget would be reduced to reflect a lowered budget level. In other words, as the contribution payments by the largest contributor would probably be even lower than they would be for an unreduced budget, the gap between its assessed contributions and its actual payments would remain approximately the same. To reduce the budget under these circumstances would have a doubly negative impact for, in addition to the programme reductions necessitated by the reduction in the budget level, the Director-General would still be obliged to make further programme implementation reductions in order to ensure that only that part of the reduced programme is implemented for which sufficient funds are received.

9. However, the Director-General would like to draw the attention of the Executive Board to the fact that he submitted to the Programme Committee of the Executive Board, at its meeting from 29 June to 2 July 1987, the proposal outlined in paragraph 5 above. The Programme Committee agreed with the Director-General that his budgetary proposals for 1990-1991 should provide for a budget reduction in real terms of US\$ 25 million as compared with the approved budget for 1988-1989, leading to a budget level in real terms of US\$ 608 980 000. The Director-General is now preparing his budget proposals for 1990-1991 on this basis.

<sup>1</sup> Document WHA40/1987/REC/3, p. 205.

<sup>2</sup> Document WHA40/1987/REC/3, p. 206.

ANNEX

## LETTER RECEIVED BY THE DIRECTOR-GENERAL

DEPARTMENT OF STATE

WASHINGTON

October 24, 1987

Dear Mr. Director-General:

Thank you for your letter of September 3, 1987 regarding the payment of United States assessed contributions to the World Health Organization. I very much share your concern regarding our payment arrearages to the World Health Organization and appreciate your understanding of the difficulties faced by this Administration in securing Congressional support to fund the work of the international organizations in which we have membership.

As you are now aware, we have recently made two payments totalling \$35.069 million to the World Health Organization. This amount represents the World Health Organization's share of our contributions to international organizations that were previously deferred in our Fiscal Year 1987 appropriation. Together with the \$10 million payment made last December, this amount also fulfills our total allocation of \$45.069 million to the World Health Organization from funds appropriated for Fiscal Year 1987.

You may be aware that Congress has yet to enact an appropriation bill for funding our assessed contributions to international organizations in Fiscal Year 1988. Accordingly, we presently do not know what level of funding will be made available to pay our assessed contributions to the World Health Organization for calendar year 1987. Until such a time that our Congressional appropriation process is completed, I would be remiss to speculate on the amounts that may be available in Fiscal Year 1988 to fund our assessed contributions to the World Health Organization. There are no immediate plans to request additional funding for previous years arrearages for any of the international organizations in which we are assessed contributions.

I sincerely regret that I cannot provide a clearer picture of our funding situation with regard to the World Health Organization. The present difficulties surrounding our domestic budget process continue to perpetuate uncertainties regarding the level and timing of funds that will be appropriated in Fiscal Year 1988 to pay for our assessed contributions to international organizations. The Administration has made a strong effort with personal letters from all concerned members of the Cabinet to secure full Congressional funding for such outstanding agencies as the WHO. You can be assured that we will continue to work toward securing the necessary funds to fulfill our commitments to the World Health Organization and other international organizations in which we have similar obligations.

Your words of support to our past efforts in this regard are sincerely appreciated.

Sincerely,

John C. Whitehead

Acting Secretary

The Honorable  
Dr. Halfdan Mahler,  
Director-General of the World Health Organization  
Geneva, Switzerland



EXECUTIVE BOARD

Eighty-first Session

Provisional agenda items 10.2 and 10.3



CHANGES IN THE PROGRAMME BUDGET FOR THE FINANCIAL PERIOD 1988-1989

USE OF ADDITIONAL CASUAL INCOME TO FINANCE THE APPROVED  
 1988-1989 PROGRAMME BUDGET

Report by the Director-General

In this document the Director-General updates to 31 December 1987 the information provided in document EB81/42. While at that date there was still a substantial shortfall in the collection of contributions for the financial period 1986-1987, sufficient additional contributions had been received since 31 October 1987 to enable the Director-General to propose an additional appropriation of US\$ 13 961 000 from casual income available as at 31 December 1986 to reduce contributions of Members for the programme budget for 1988-1989.

1. As at 31 December 1987 the status of collection of assessed contributions to finance the effective working budget for 1986-1987 had somewhat improved as compared with that reported in paragraph 6 of document EB81/42. Out of a total amount due of US\$ 484 861 000, contributions collected amounted to US\$ 428 604 192, or 88.40%. The largest contributor made additional payments amounting to US\$ 45 000 000 during November and December 1987; its total payments for the biennium amounted to US\$ 87 438 470, or 69.63% of its total assessment for the biennium of US\$ 125 576 525. It thus still owed US\$ 38 138 055 for 1986-1987.

2. In view of the circumstances described above, the Organization was faced at the end of the financial period 1986-1987 with a shortfall in contributions of US\$ 56 256 808 (i.e., the difference between the contributions of US\$ 484 861 000 assessed and the contributions of US\$ 428 604 192 collected). In closing the accounts for the financial period 1986-1987, the Organization - notwithstanding the programme implementation reductions of the order of US\$ 35 000 000 effected during the biennium - not only had to withdraw the full amount standing to the credit of the Working Capital Fund but also had to borrow part of the casual income which had been available at the end of 1986 in order to cover this shortfall. The situation may be summarized as follows:

	<u>US \$</u>
Approved budget for 1986-1987	543 300 000
Income received (including US\$ 428 604 192 in contributions)	487 043 192
	56 256 808
Shortfall in contributions met by:	
(a) programme implementation reductions	35 000 000
(b) withdrawal of balance of Working Capital Fund	11 048 950
(c) borrowing from casual income available at 31 December 1986	10 207 858
	56 256 808

3. The status of casual income available as at 31 December 1986 is therefore as follows:

	<u>US \$</u>
Balance as at 31 December 1986 (as reported in the Interim Financial Report for the Year 1986 <sup>1</sup> )	49 169 131
<u>Less:</u> appropriated by the Fortieth World Health Assembly to help finance the 1988-1989 budget (resolution WHA40.37 <sup>2</sup> )	25 000 000
	<u>24 169 131</u>
<u>Less:</u> amount borrowed in accordance with Financial Regulation 5.1 <sup>3</sup> (see paragraph 2 above)	10 207 858
Balance available	<u><u>13 961 273</u></u>

4. The Director-General proposes that the remaining balance of the casual income available as at 31 December 1986 be appropriated to reduce contributions of Members for the programme budget for 1988-1989. If the Executive Board and the Health Assembly agree with this proposal, the Appropriation Resolution for the Financial Period 1988-1989<sup>2</sup> would have to be amended. The Executive Board may therefore wish to consider the adoption of the following resolution:

The Executive Board,

Noting the report of the Director-General proposing that an additional amount of US\$ 13 961 000 of casual income available as at 31 December 1986 be appropriated to help finance the approved 1988-1989 programme budget,

RECOMMENDS to the Forty-first World Health Assembly the adoption of the following resolution:

The Forty-first World Health Assembly,

Noting the proposal of the Director-General and the recommendation of the Executive Board regarding an additional appropriation of casual income available as at 31 December 1986,

DECIDES to amend the Appropriation Resolution for the financial period 1988-1989 (resolution WHA40.37) to read as follows:

"RESOLVES to appropriate for the financial period 1988-1989 an amount of US\$ 705 103 200 as follows:

<sup>1</sup> Document A40/7, p. 18.

<sup>2</sup> Document WHA40/1987/REC/1, pp. 34-35.

<sup>3</sup> Basic Documents, thirty-sixth edition, 1986, p. 77.

A.		Amount
Appropriation section	Purpose of appropriation	US \$
1.	Direction, coordination and management ..	77 934 800
2.	Health system infrastructure .....	201 343 800
3.	Health science and technology: health promotion and care .....	114 508 300
4.	Health science and technology: disease prevention and control .....	90 808 500
5.	Programme support .....	149 384 600
Effective working budget		633 980 000
6.	Transfer to Tax Equalization Fund .....	59 000 000
7.	Undistributed reserve .....	12 123 200
Total		705 103 200

B. Amounts not exceeding the appropriations voted under paragraph A shall be available for the payment of obligations incurred during the financial period 1 January 1988 - 31 December 1989 in accordance with the provisions of the Financial Regulations. Notwithstanding the provisions of the present paragraph, the Director-General shall limit the obligations to be incurred during the financial period 1988-1989 to sections 1-6.

C. Notwithstanding the provisions of Financial Regulation 4.5, the Director-General is authorized to make transfers between those appropriation sections that constitute the effective working budget up to an amount not exceeding 10% of the amount appropriated for the section from which the transfer is made, this percentage being established in respect of section 1 exclusive of the provision made for the Director-General's and Regional Directors' Development Programme (US\$ 10 662 000). The Director-General is also authorized to apply amounts not exceeding the provision for the Director-General's and Regional Directors' Development Programme to those sections of the effective working budget under which the programme expenditure will be incurred. All such transfers shall be reported in the financial report for the financial period 1988-1989. Any other transfers required shall be made and reported in accordance with the provisions of Financial Regulation 4.5.

D. The appropriations voted under paragraph A shall be financed by assessments on Members after deduction of the following:

	US \$
(i) reimbursement of programme support costs by the United Nations Development Programme in the estimated amount of .....	4 000 000
(ii) casual income in the amount of .....	38 961 000
	42 961 000

thus resulting in assessments on Members of US\$ 662 142 200. Notwithstanding the provision of Financial Regulation 5.3, a deduction of US\$ 25 000 000 of casual income shall be applied to the first annual instalment of the assessed contributions due from Members and a deduction of US\$ 13 961 000 shall be applied to the second annual instalment of the assessed contributions due from Members. In establishing the amounts of contributions to be paid by individual Members, their assessments shall be reduced further by the amount standing to their credit in the Tax Equalization Fund, except that the credits of those Members that require staff members of WHO to pay taxes on their WHO emoluments shall be reduced by the estimated amounts of such tax reimbursements to be made by the Organization."

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